

Property Tax Payments, 2002-2003

- Newton County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

*State Tax Credits Increased in
Newton County from \$2.9 Million
in 2002 to \$5.2 Million in 2003.*

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Newton County, state tax credits

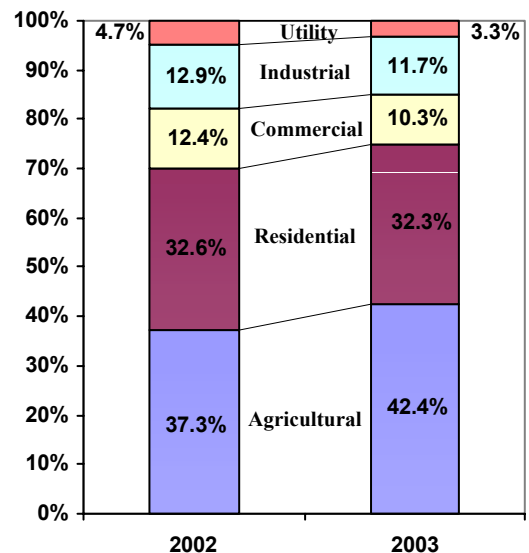
Table 1. Changes in AV and Tax Bills by Property Class for Newton County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	85.9%	81.4%	11.6%
Residential (All)	90.6%	57.5%	-2.7%
Homestead Only	88.1%	41.4%	-14.1%
Commercial	25.4%	25.0%	-18.6%
Industrial	30.6%	30.3%	-11.0%
Utility	-2.2%	-2.2%	-30.3%
Avg. All Classes	71.3%	57.0%	-1.7%

increased from \$2.85 million to \$5.24 million, an increase of \$2.39 million. This paper provides a brief summary of how these factors changed property tax liabilities in Newton County.

Tax Shifts. All property classes except agriculture saw tax decreases in Newton County in 2003 (see Table 1). Gross assessed value (AV) of agricultural and residential property nearly doubled. Net AV of residential property increased less because the homestead deduction increased. Only the homestead portion of agricultural assessed value was eligible for this deduction. Commercial and industrial assessed values increased by much smaller amounts, and utility assessments actually declined. As a result, the net tax bills of agricultural property increased, residential property owners saw a small tax decrease, and commercial, industrial, and utility taxpayers saw large tax decreases. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] These figures include the effects of new

Figure 1. Share of Net Property Tax Billings in Newton County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Newton County saw their tax bills decrease by a greater amount than the average residential property decrease. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased substantially. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Newton County, more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, three-quarters of homestead owners saw decreases rather than increases.

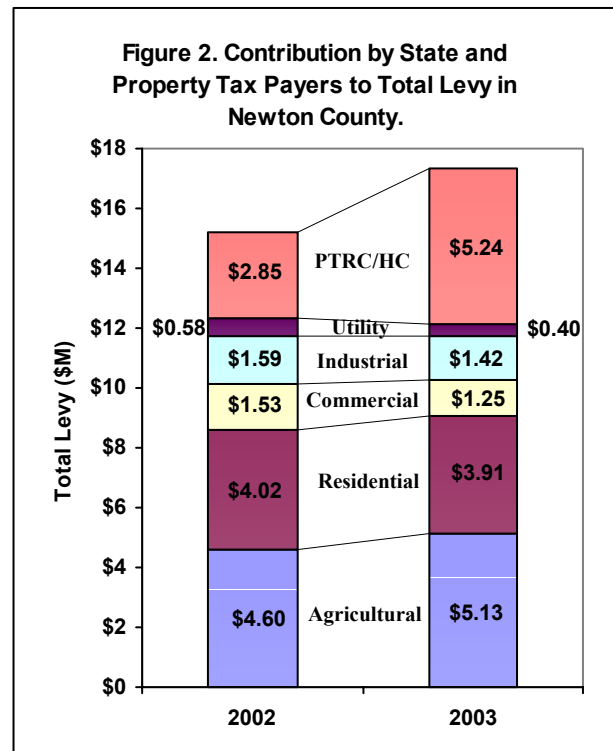
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Newton County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	55.6%	24.3%	46.5%	16.6%
Decreased	44.4%	75.7%	53.5%	83.4%
Increased 100% or More	6.9%	2.6%	5.0%	2.0%
Decreased 25% or More	19.6%	35.3%	29.9%	53.7%
Average Change (\$)	-\$18	-\$141	-\$78	-\$216
Average Change (%)	-3.1%	-16.5%	-13.2%	-25.2%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, less than half of all residential property owners would have seen tax increases, and more than half would have seen tax decreases. For homesteads, more than 80% would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of substantially more homeowners than they increased.

Agriculture. Taxes on agricultural property in Newton County rose. Overall, agricultural business taxes rose while agricultural homestead taxes declined. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Newton County because assessed values rose much less than



residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Newton County reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Newton County by PTRC and state homestead credit payments increased by approximately 84%, from \$2.9 million to \$5.2 million.

Table 3 shows estimates of how Newton County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases for agricultural property and eliminated the increase for residential property. Newton County residential property taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was fully offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial property. However the elimination of PTRC payments for personal property reduced the tax cuts received by industrial and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Newton County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	22.6%	11.6%	-11.0%
Residential (All)	38.9%	-2.7%	-41.6%
Homestead Only	44.9%	-14.1%	-59.0%
Commercial	-13.9%	-18.6%	-4.7%
Industrial	-12.4%	-11.0%	1.4%
Utility	-37.9%	-30.3%	7.6%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Newton County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	418,712,207	168,279,745	191,467,715	146,822,481	31,953,135	27,005,369	6,243
Real Deductions	31,300,867	3,848,290	27,211,897	27,211,897	229,096	11,584	0
Real Net Assessed Value	387,411,340	164,431,455	164,255,818	119,610,584	31,724,039	26,993,785	6,243
Personal Gross Assd. Value	104,798,847	24,968,710	2,583,600	0	24,541,891	29,635,116	23,069,530
Personal Deductions	38,860	0	2,730	0	0	36,130	0
Personal Net Assd. Value	104,759,987	24,968,710	2,580,870	0	24,541,891	29,598,986	23,069,530
Total Gross Assessed Value	523,511,054	193,248,455	194,051,315	146,822,481	56,495,026	56,640,485	23,075,773
Total Deductions	31,339,727	3,848,290	27,214,627	27,211,897	229,096	47,714	0
Total Net Assessed Value	492,171,327	189,400,165	166,836,688	119,610,584	56,265,930	56,592,771	23,075,773
Gross Levy	15,182,156	5,534,432	5,230,911	3,734,164	1,827,436	1,899,928	689,448
PTRC (Calculated)	2,448,003	877,840	856,425	610,658	294,614	309,110	110,013
State/County Homestead Cr. (Calculated)	408,442	55,528	352,914	352,914	0	0	0
Net Levy	12,325,711	4,601,064	4,021,572	2,770,592	1,532,823	1,590,818	579,435
Pay 2003							
Real Gross Assessed Value	775,053,128	326,872,212	366,251,043	276,189,596	47,000,024	34,907,450	22,400
Real Deductions	123,420,631	15,795,005	107,096,260	107,096,260	456,004	73,362	0
Real Net Assessed Value	651,632,497	311,077,207	259,154,783	169,093,336	46,544,020	34,834,088	22,400
Personal Gross Assd. Value	121,463,750	32,429,380	3,619,080	0	23,817,738	39,057,832	22,539,720
Personal Deductions	150,945	0	0	0	10,270	140,675	0
Personal Net Assd. Value	121,312,805	32,429,380	3,619,080	0	23,807,468	38,917,157	22,539,720
Total Gross Assessed Value	896,516,878	359,301,592	369,870,123	276,189,596	70,817,762	73,965,281	22,562,120
Total Deductions	123,571,576	15,795,005	107,096,260	107,096,260	466,274	214,037	0
Total Net Assessed Value	772,945,302	343,506,587	262,773,863	169,093,336	70,351,488	73,751,244	22,562,120
Gross Levy	17,346,019	7,317,220	6,043,856	3,877,969	1,667,267	1,826,888	490,789
PTRC (Calculated)	4,804,710	2,116,837	1,769,498	1,136,303	420,109	411,307	86,959
State/County Homestead Cr. (Calculated)	428,193	65,698	362,495	362,495	0	0	0
Net Levy	12,113,115	5,134,684	3,911,863	2,379,171	1,247,157	1,415,582	403,830
COMPARISONS							
Net Levy Percent Change	-1.7%	11.6%	-2.7%	-14.1%	-18.6%	-11.0%	-30.3%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	85.1%	94.2%	91.3%	88.1%	47.1%	29.3%	258.8%
Gross Personal AV	15.9%	29.9%	40.1%	0.0%	-3.0%	31.8%	-2.3%
Total Gross Assessed Value	71.3%	85.9%	90.6%	88.1%	25.4%	30.6%	-2.2%
Net Assessed Value	57.0%	81.4%	57.5%	41.4%	25.0%	30.3%	-2.2%
Gross Levy	14.3%	32.2%	15.5%	3.9%	-8.8%	-3.8%	-28.8%
Net Levy	-1.7%	11.6%	-2.7%	-14.1%	-18.6%	-11.0%	-30.3%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	2,448,380	4,805,572	2,357,193	96.3%			
State Homestead Cr. (Abstract)	406,063	431,031	24,968	6.1%			
Total State Credits (Abstract)	2,854,442	5,236,603	2,382,161	83.5%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Newton County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,601,064	5,134,684	533,620	11.6%	37.3%	42.4%	5.1%
Residential	4,021,572	3,911,863	-109,709	-2.7%	32.6%	32.3%	-0.3%
Commercial	1,532,823	1,247,157	-285,666	-18.6%	12.4%	10.3%	-2.1%
Industrial	1,590,818	1,415,582	-175,236	-11.0%	12.9%	11.7%	-1.2%
Utility	579,435	403,830	-175,605	-30.3%	4.7%	3.3%	-1.4%
Exempt	2,180	1,802	-378	-17.3%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	12,327,892	12,114,918	-212,974	-1.7%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,997,250	4,573,677	576,427	14.4%	32.4%	37.8%	5.3%
Residential	3,955,664	3,856,072	-99,592	-2.5%	32.1%	31.8%	-0.3%
Commercial	869,200	779,060	-90,140	-10.4%	7.1%	6.4%	-0.6%
Industrial	755,727	604,847	-150,880	-20.0%	6.1%	5.0%	-1.1%
Utility	149	331	182	122.1%	0.0%	0.0%	0.0%
Exempt	2,180	1,802	-378	-17.3%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	9,580,170	9,815,789	235,619	2.5%	77.7%	81.0%	3.3%
Agricultural Homesteads	822,385	770,406	-51,979	-6.3%	6.7%	6.4%	-0.3%
Residential Homesteads	2,770,592	2,379,171	-391,421	-14.1%	22.5%	19.6%	-2.8%
Total Homesteads	3,592,977	3,149,577	-443,400	-12.3%	29.1%	26.0%	-3.1%
Non-Homestead Residential	1,185,073	1,476,901	291,828	24.6%	9.6%	12.2%	2.6%
Apartments (Over 4 Units)	59,585	53,093	-6,492	-10.9%	0.5%	0.4%	0.0%
<u>Personal Property Only</u>							
Agricultural	603,814	561,007	-42,807	-7.1%	4.9%	4.6%	-0.3%
Residential	65,907	55,791	-10,116	-15.3%	0.5%	0.5%	-0.1%
Commercial	663,623	468,097	-195,526	-29.5%	5.4%	3.9%	-1.5%
Industrial	835,091	810,734	-24,357	-2.9%	6.8%	6.7%	-0.1%
Utility	579,286	403,499	-175,787	-30.3%	4.7%	3.3%	-1.4%
Total	2,747,721	2,299,128	-448,593	-16.3%	22.3%	19.0%	-3.3%
Total Depreciables	1,979,095	1,695,876	-283,219	-14.3%	16.1%	14.0%	-2.1%
Total Inventory	702,718	547,462	-155,256	-22.1%	5.7%	4.5%	-1.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	3,174,865	3,803,270	628,405	19.8%	25.8%	31.4%	5.6%
Ag Personal	603,814	561,007	-42,807	-7.1%	4.9%	4.6%	-0.3%
Total Ag Business	3,778,679	4,364,277	585,598	15.5%	30.7%	36.0%	5.4%
Ag Homesteads	822,385	770,406	-51,979	-6.3%	6.7%	6.4%	-0.3%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Newton County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	189,400,165	343,506,587	154,106,422	81.4%	38.5%	44.4%	6.0%
Residential	166,836,688	262,773,863	95,937,175	57.5%	33.9%	34.0%	0.1%
Commercial	56,265,930	70,351,488	14,085,558	25.0%	11.4%	9.1%	-2.3%
Industrial	56,592,771	73,751,244	17,158,473	30.3%	11.5%	9.5%	-2.0%
Utility	23,075,773	22,562,120	-513,653	-2.2%	4.7%	2.9%	-1.8%
Exempt	84,030	105,900	21,870	26.0%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	492,255,357	773,051,202	280,795,845	57.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	164,431,455	311,077,207	146,645,752	89.2%	33.4%	40.2%	6.8%
Residential	164,255,818	259,154,783	94,898,965	57.8%	33.4%	33.5%	0.2%
Commercial	31,724,039	46,544,020	14,819,981	46.7%	6.4%	6.0%	-0.4%
Industrial	26,993,785	34,834,088	7,840,303	29.0%	5.5%	4.5%	-1.0%
Utility	6,243	22,400	16,157	258.8%	0.0%	0.0%	0.0%
Exempt	84,030	105,900	21,870	26.0%	0.0%	0.0%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	387,495,370	651,738,398	264,243,028	68.2%	78.7%	84.3%	5.6%
Agricultural Homesteads	35,574,873	55,511,093	19,936,220	56.0%	7.2%	7.2%	0.0%
Residential Homesteads	119,610,584	169,093,336	49,482,752	41.4%	24.3%	21.9%	-2.4%
Total Homesteads	155,185,457	224,604,429	69,418,972	44.7%	31.5%	29.1%	-2.5%
Non-Homestead Residential	44,645,234	90,061,448	45,416,214	101.7%	9.1%	11.7%	2.6%
Apartments (Over 4 Units)	2,035,136	2,921,544	886,408	43.6%	0.4%	0.4%	0.0%
<u>Personal Property Only</u>							
Agricultural	24,968,710	32,429,380	7,460,670	29.9%	5.1%	4.2%	-0.9%
Residential	2,580,870	3,619,080	1,038,210	40.2%	0.5%	0.5%	-0.1%
Commercial	24,541,891	23,807,468	-734,423	-3.0%	5.0%	3.1%	-1.9%
Industrial	29,598,986	38,917,157	9,318,171	31.5%	6.0%	5.0%	-1.0%
Utility	23,069,530	22,539,720	-529,810	-2.3%	4.7%	2.9%	-1.8%
Total	104,759,987	121,312,805	16,552,818	15.8%	21.3%	15.7%	-5.6%
Total Depreciables	75,342,704	88,777,062	13,434,358	17.8%	15.3%	11.5%	-3.8%
Total Inventory	26,836,413	28,916,663	2,080,250	7.8%	5.5%	3.7%	-1.7%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	128,856,581	255,566,114	126,709,533	98.3%	26.2%	33.1%	6.9%
Ag Personal	24,968,710	32,429,380	7,460,670	29.9%	5.1%	4.2%	-0.9%
Total Ag Business	153,825,291	287,995,494	134,170,203	87.2%	31.2%	37.3%	6.0%
Ag Homesteads	35,574,873	55,511,093	19,936,220	56.0%	7.2%	7.2%	0.0%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Newton County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2002 to 2003	Change in Net AV 2002 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	103%	69%	4%	-7%
Comparable Residential Real Prop.	91%	57%	-3%	-13%
Comparable Homesteads	88%	39%	-16%	-25%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	118	1.9%	20	0.6%	96	1.5%	18	0.6%
200%	to 300%	58	0.9%	11	0.4%	51	0.8%	8	0.3%
100%	to 200%	254	4.1%	49	1.6%	166	2.7%	35	1.1%
50%	to 100%	577	9.3%	92	2.9%	378	6.1%	54	1.7%
25%	to 50%	770	12.4%	144	4.6%	575	9.3%	105	3.3%
10%	to 25%	961	15.5%	197	6.3%	592	9.5%	127	4.0%
5%	to 10%	242	3.9%	98	3.1%	258	4.2%	72	2.3%
0	to 5%	469	7.6%	153	4.9%	773	12.5%	101	3.2%
0	to -5%	236	3.8%	142	4.5%	279	4.5%	109	3.5%
-5%	to -10%	266	4.3%	213	6.8%	268	4.3%	133	4.2%
-10%	to -25%	1,038	16.7%	915	29.1%	917	14.8%	693	22.1%
-25%	to -50%	1,037	16.7%	992	31.6%	1,545	24.9%	1,450	46.2%
Below	-50%	181	2.9%	115	3.7%	309	5.0%	236	7.5%
		6,207	100.0%	3,141	100.0%	6,207	100.0%	3,141	100.0%
Parcels With Increases		3,449	55.6%	764	24.3%	2,889	46.5%	520	16.6%
Parcels With Reductions		2,758	44.4%	2,377	75.7%	3,318	53.5%	2,621	83.4%
Average \$ Change			-\$18		-\$141		-\$78		-\$216
Average % Change			-3.1%		-16.5%		-13.2%		-25.2%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor
Prepared by Legislative Services Agency, June 2005.